

CALIFORNIA BUDGET PROJECT

# A Generation of Widening Inequality

## The State of Working California, 1979 to 2006

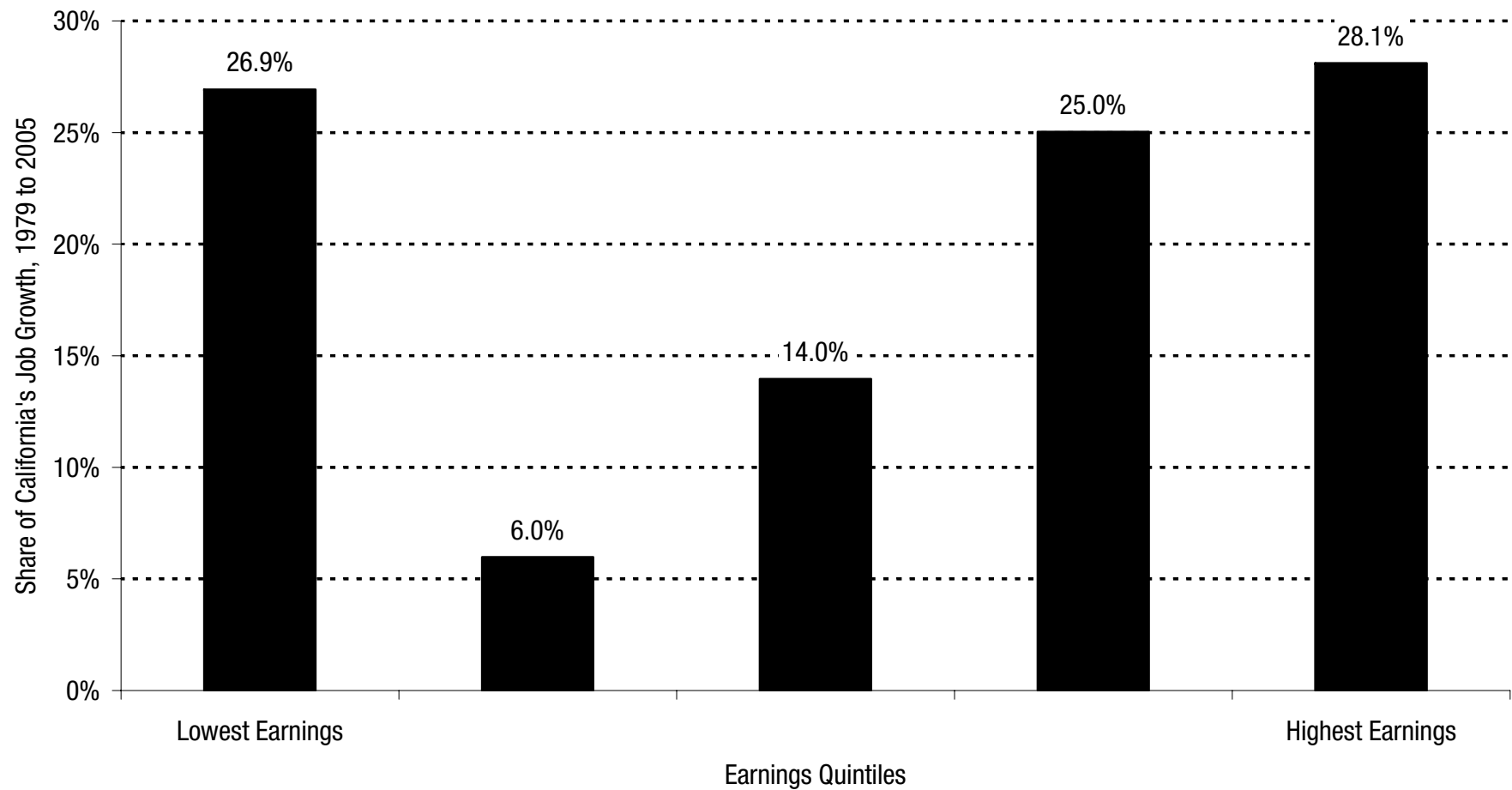
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A PRESENTATION BY  
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October 25, 2007

# A Generation of Widening Inequality: Overview

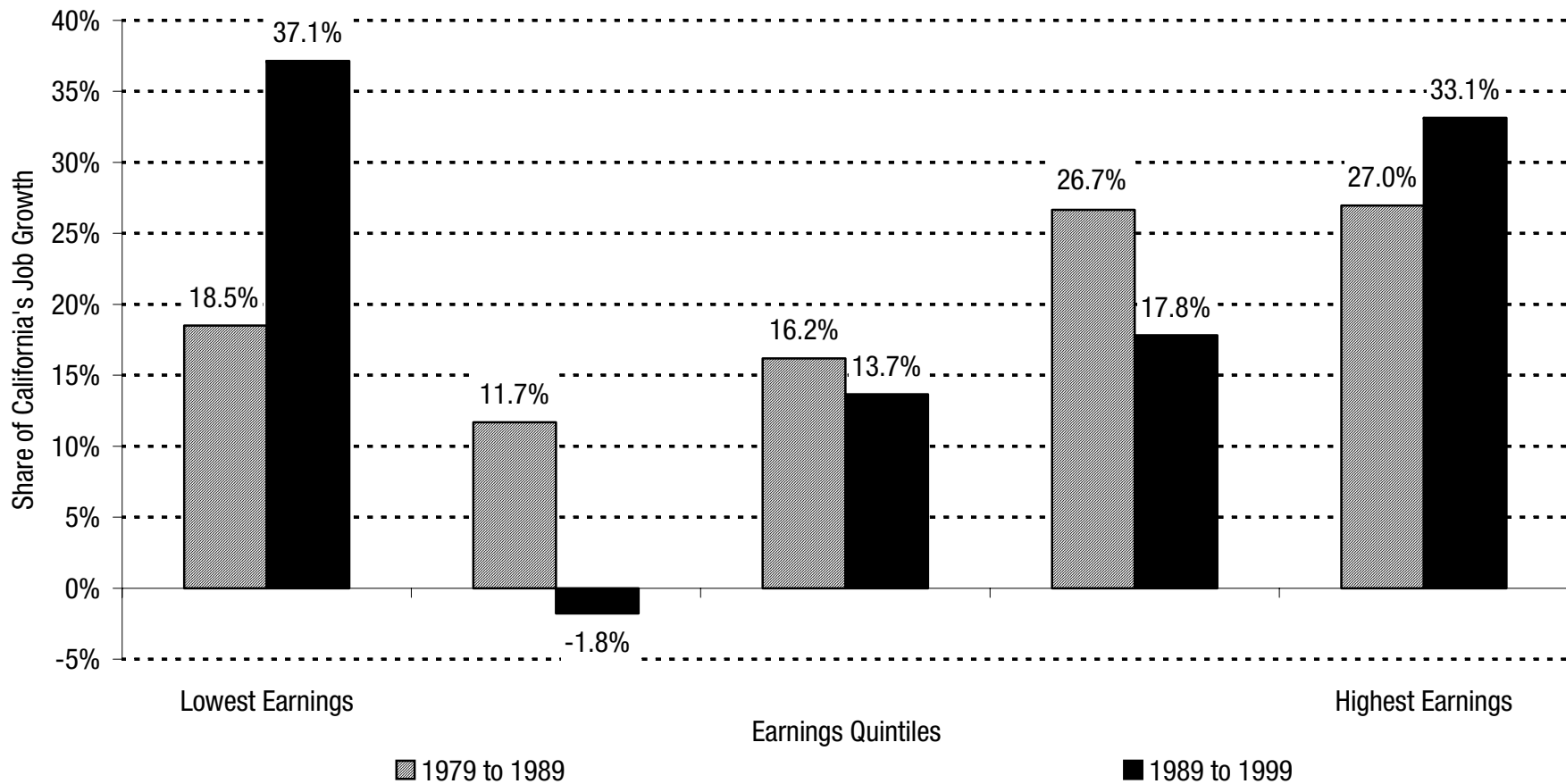
- Job trends: California has added more low-wage and high-wage jobs than jobs with earnings in the middle of the distribution.
- Wage trends: The gap between California's low-wage and high-wage workers has widened.
- Income trends: The gains of high-income Californians have far surpassed those of lower-income Californians.
- Recent trends: The benefits of economic growth during the current economic recovery failed to trickle down to many Californians.

## More Than Half of California's Job Growth Occurred at the Low and High Ends of the Earnings Distribution, 1979 to 2005



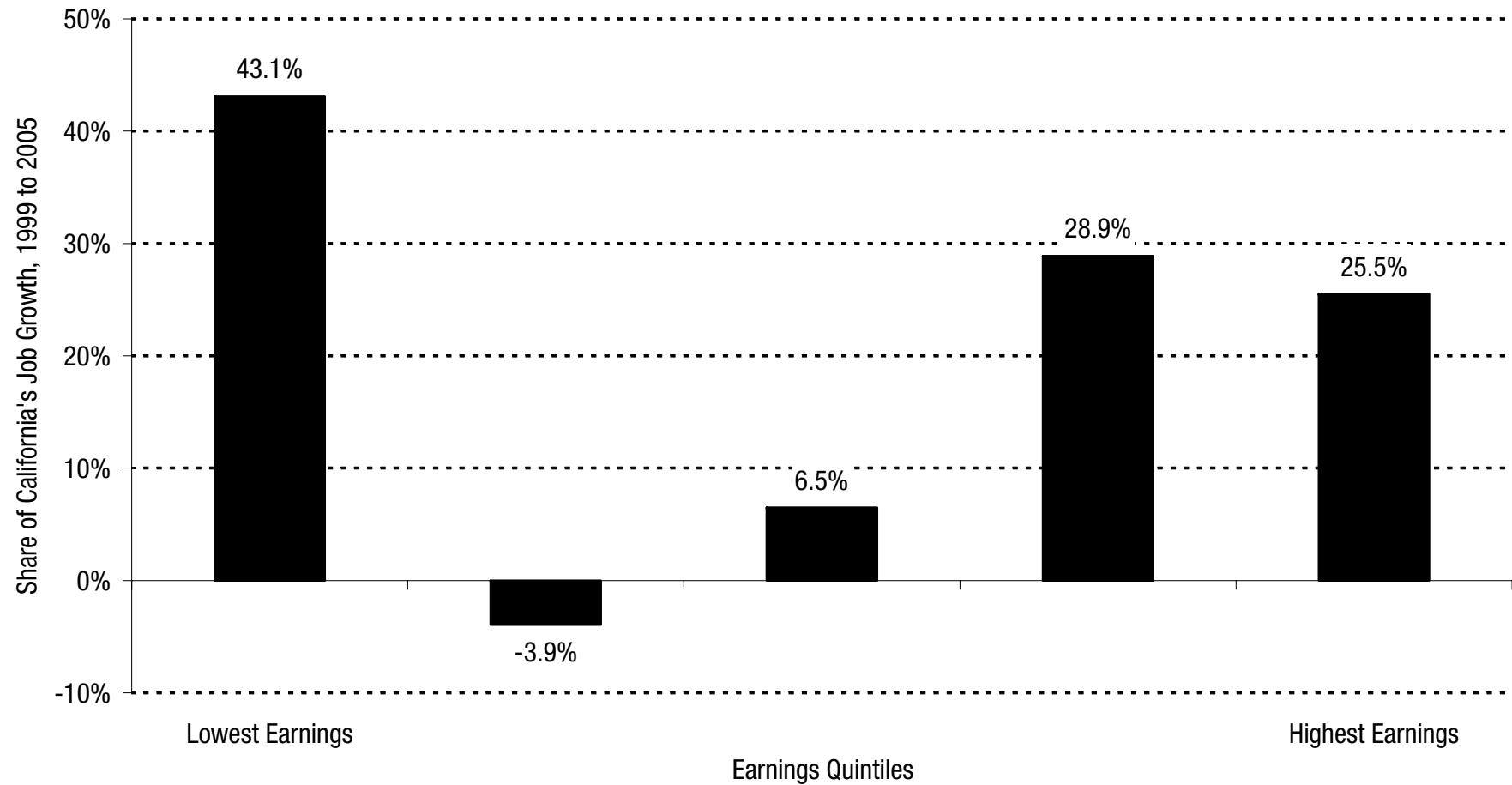
Note: Jobs are sorted into quintiles based on 1979 median hourly earnings.  
Source: CBP analysis of US Census Bureau data

## A Full 70 Percent of California's Job Growth Was Concentrated at the Low and High Ends of the Earnings Distribution in the 1990s



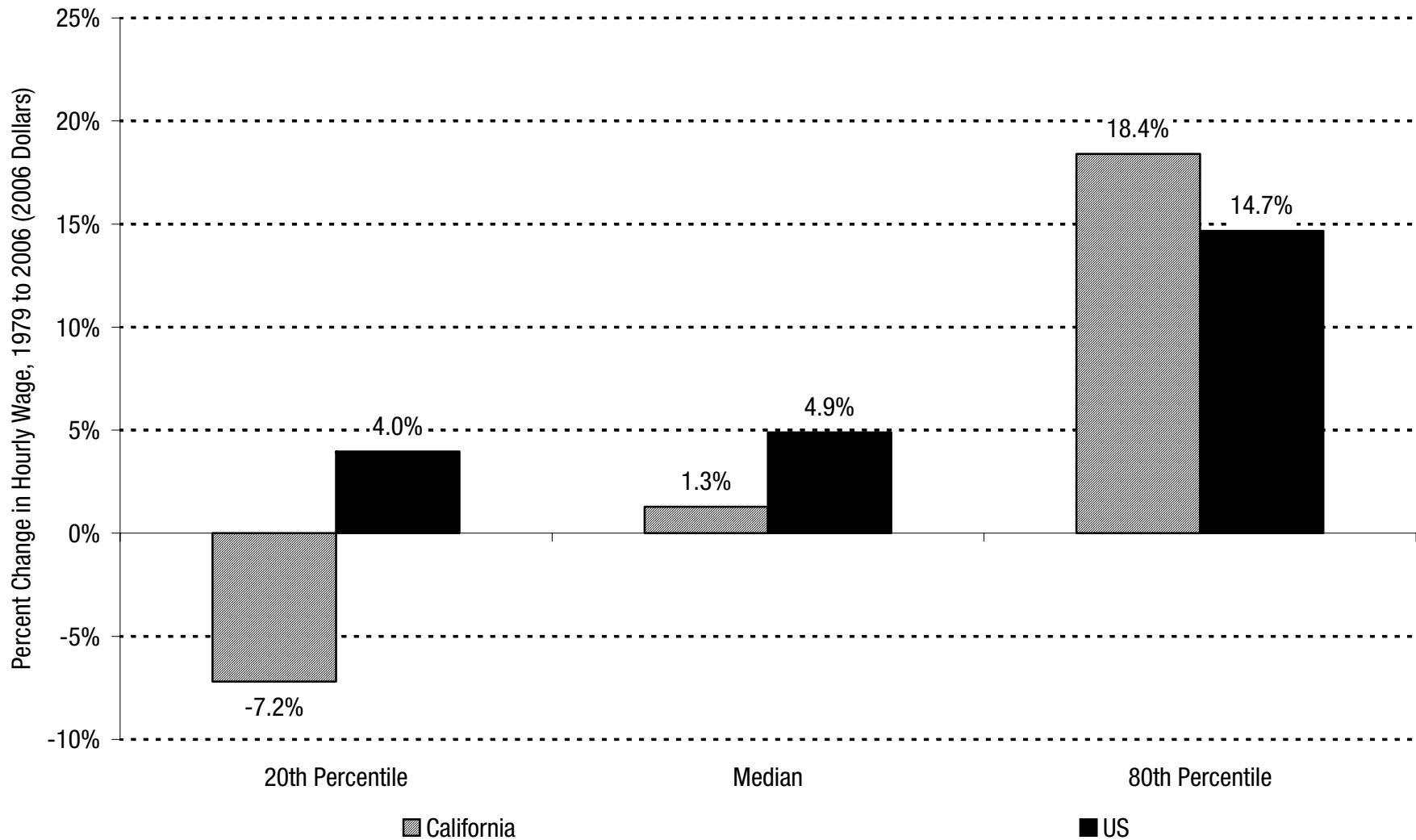
Note: Jobs are sorted into quintiles based on 1979 median hourly earnings.  
Percentages do not sum to 100 due to rounding.  
Source: CBP analysis of US Census Bureau data

## California's Job Growth Was Concentrated at the Low End of the Earnings Distribution, 1999 to 2005

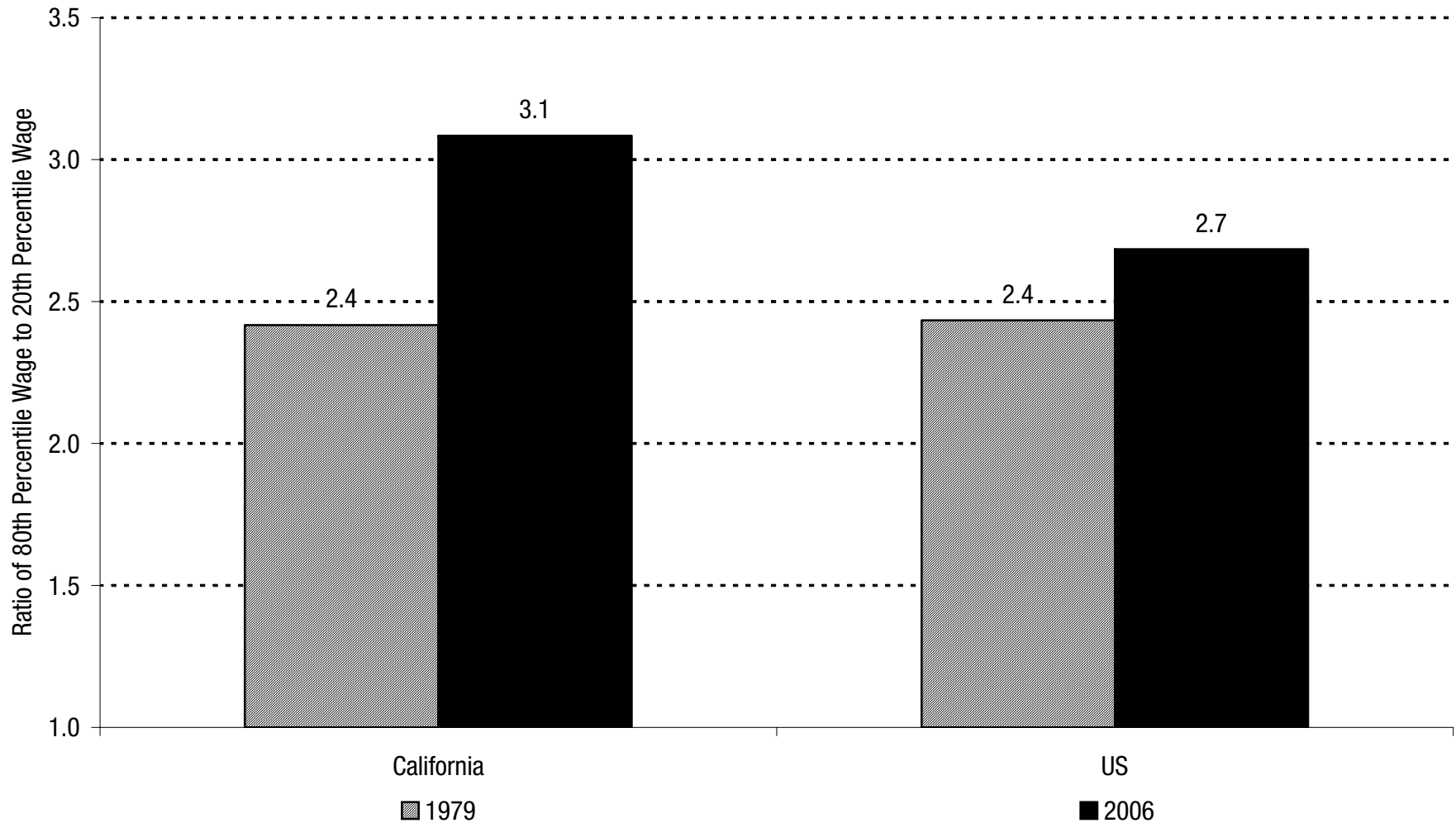


Note: Jobs are sorted into quintiles based on 1979 median hourly earnings.  
Percentages do not sum to 100 due to rounding.  
Source: CBP analysis of US Census Bureau data

## Only California's High-Wage Workers Experienced Sizeable Wage Gains Between 1979 and 2006

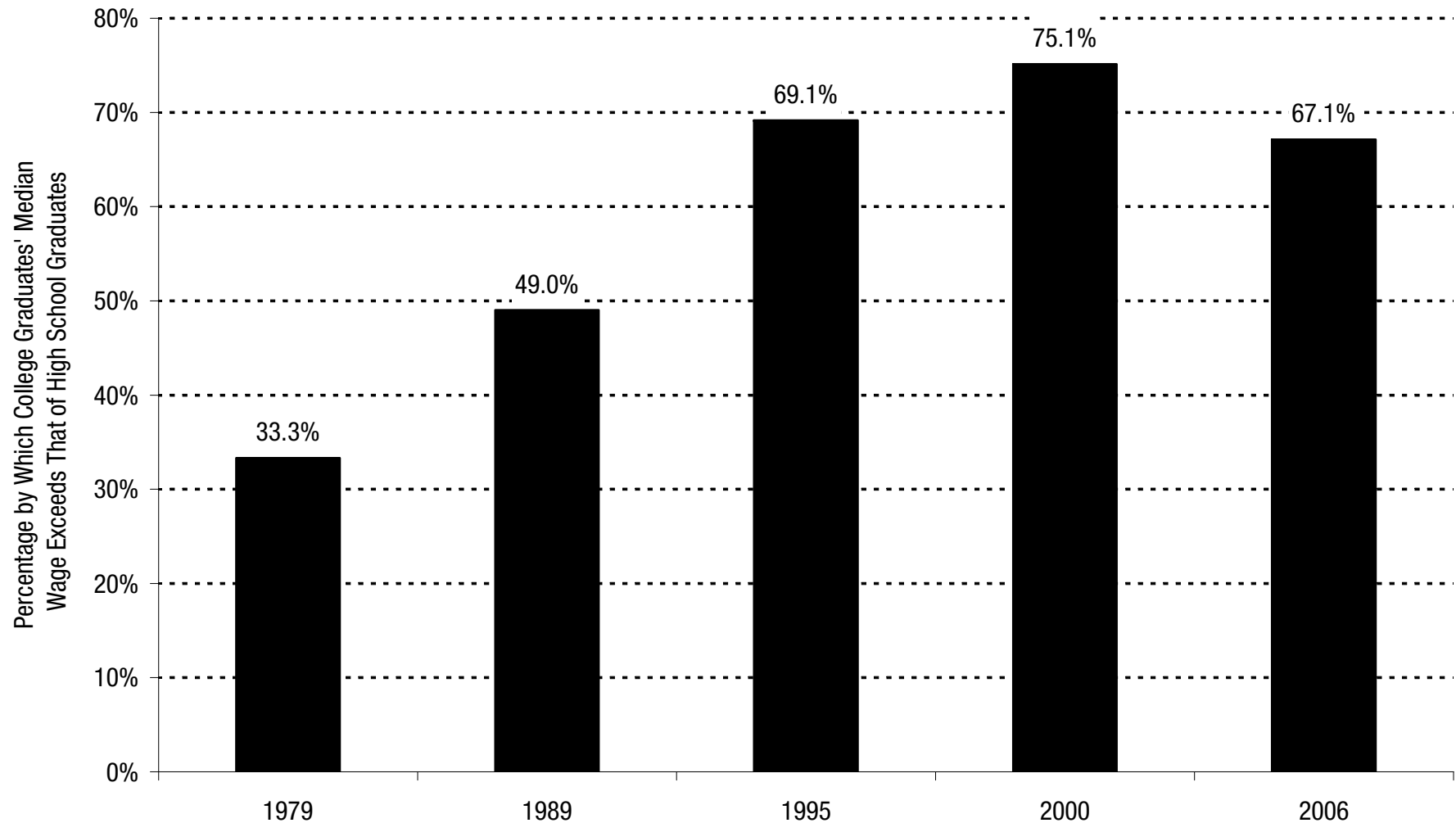


## The Gap Between High-Wage Workers' Wage and Low-Wage Workers' Wage Has Widened



Source: CBP analysis of Current Population Survey data

## The Value of a Bachelor's Degree Has Increased Since 1979



Note: Includes workers with a bachelor's degree, but no further post-secondary education.

Source: CBP analysis of Current Population Survey data

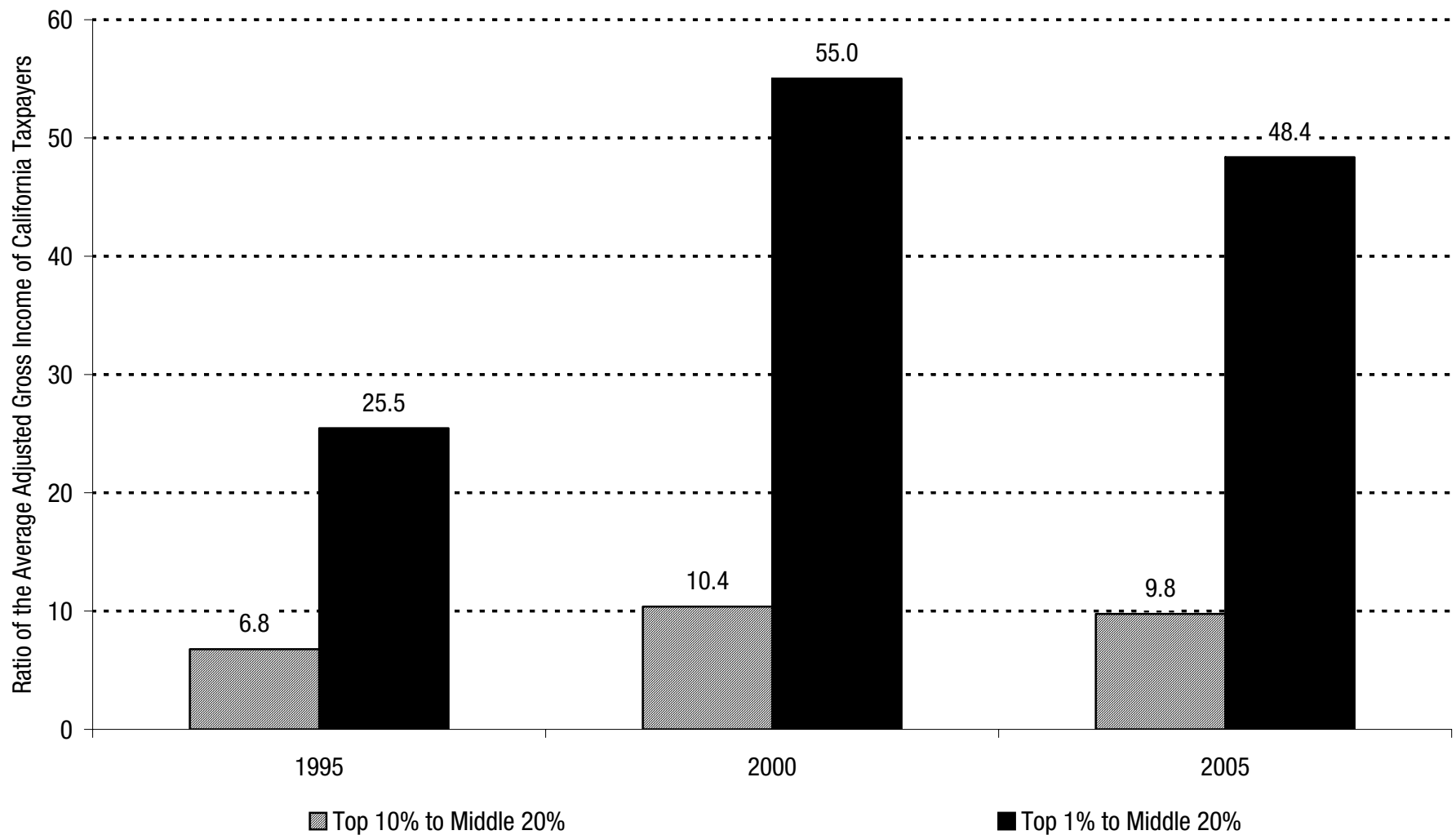


## Average Adjusted Gross Income (AGI) Growth of High-Income Taxpayers Outpaced That of Low- and Middle-Income Taxpayers, 1995 to 2005

Income Group	Average AGI (2005 Dollars)			Percent Change		
	1995	2000	2005	1995 to 2000	2000 to 2005	1995 to 2005
Bottom Fifth	\$6,519	\$7,476	\$7,231	14.7%	-3.3%	10.9%
Second Fifth	\$17,775	\$20,267	\$19,590	14.0%	-3.3%	10.2%
Middle Fifth	\$31,609	\$36,237	\$34,561	14.6%	-4.6%	9.3%
Fourth Fifth	\$54,091	\$61,417	\$59,531	13.5%	-3.1%	10.1%
Top Fifth	\$149,335	\$237,400	\$217,021	59.0%	-8.6%	45.3%
Top 10 Percent	\$214,378	\$375,885	\$337,517	75.3%	-10.2%	57.4%
Top 1 Percent	\$804,727	\$1,993,096	\$1,671,563	147.7%	-16.1%	107.7%
All	\$51,865	\$72,539	\$67,587	39.9%	-6.8%	30.3%

Source: Franchise Tax Board

## The Gap Between Middle- and High-Income Californians Widened Between 1995 and 2005



Source: CBP analysis of Franchise Tax Board data

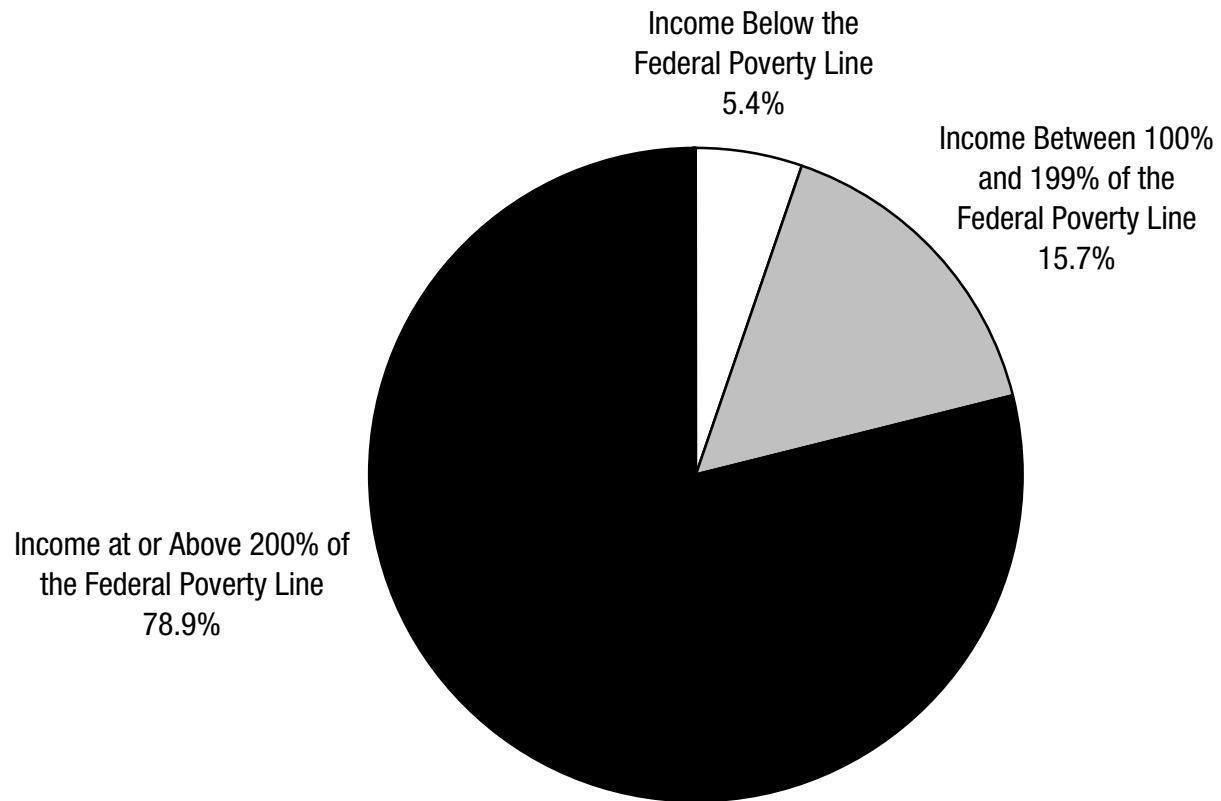
## Wives' Earnings Boosted Family Income, 1979 to 2005

	Average of Middle-Income Families		Percent Change
	1979	2005	1979 to 2005
Family Income	\$64,293	\$70,463	9.6%
Wives' Earnings	\$10,538	\$18,366	74.3%
Family Income Without Wives' Earnings	\$53,755	\$52,097	-3.1%

Note: Includes married couple families with children under age 18 whose family income is in the middle fifth of the income distribution and in which both the husband and wife are between the ages of 25 and 54.

Source: CBP analysis of Current Population Survey data

## More Than One-Fifth of California's Working Families Have Incomes Below 200 Percent of the Federal Poverty Line



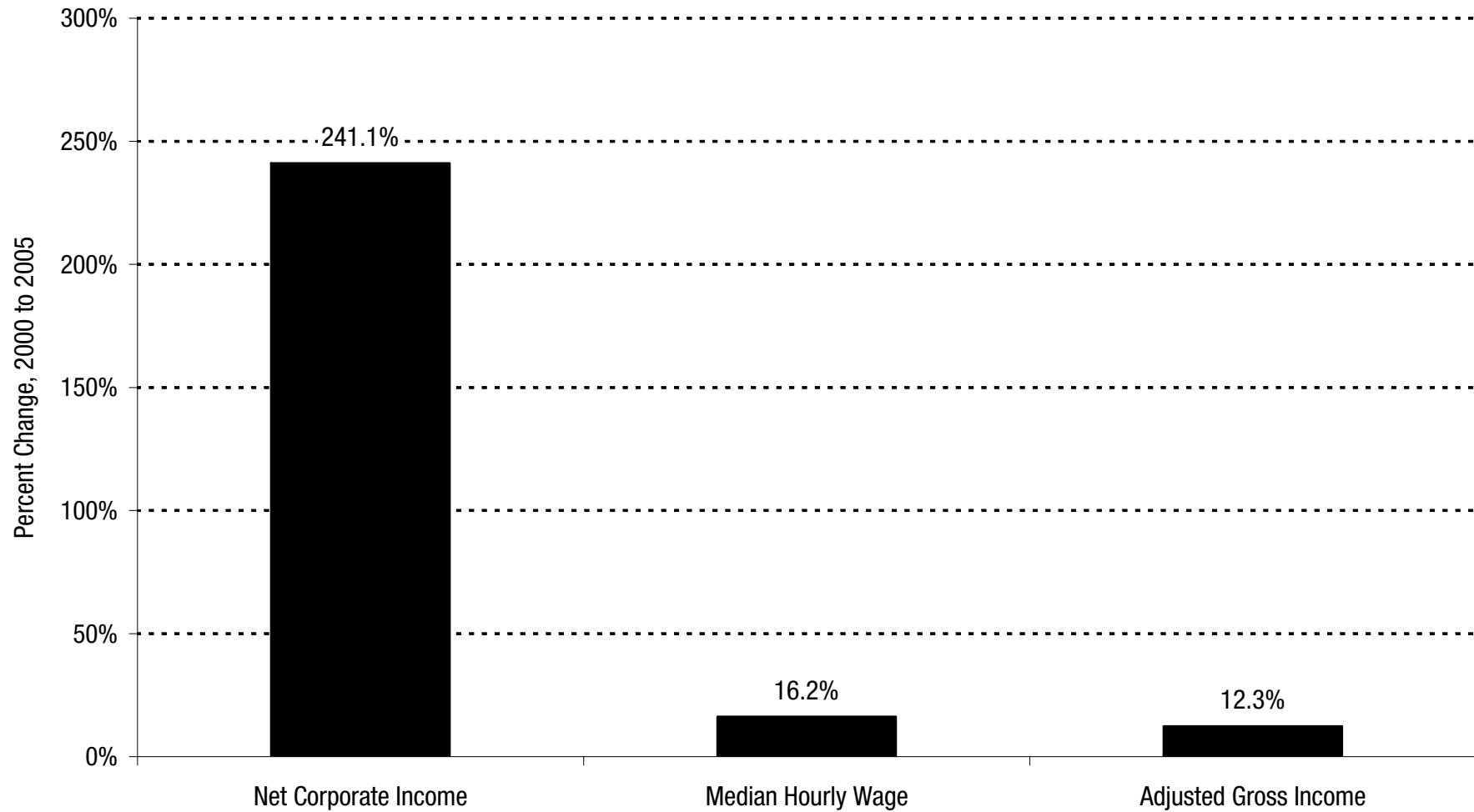
Total Number of Working Families in California in 2005 = 9.3 Million

Source: CBP analysis of Current Population Survey data

# Why Has Inequality Widened?

- The reasons are complex and the subject of much debate. Researchers point to a number of factors, including:
  - Technological advancements;
  - Increased international trade;
  - Declining purchasing power of the minimum wage;
  - Impact of decreased union membership on wages; and
  - International immigration.

## Growth in Corporate Income Far Outpaced That of Wages and Adjusted Gross Income During the Recovery

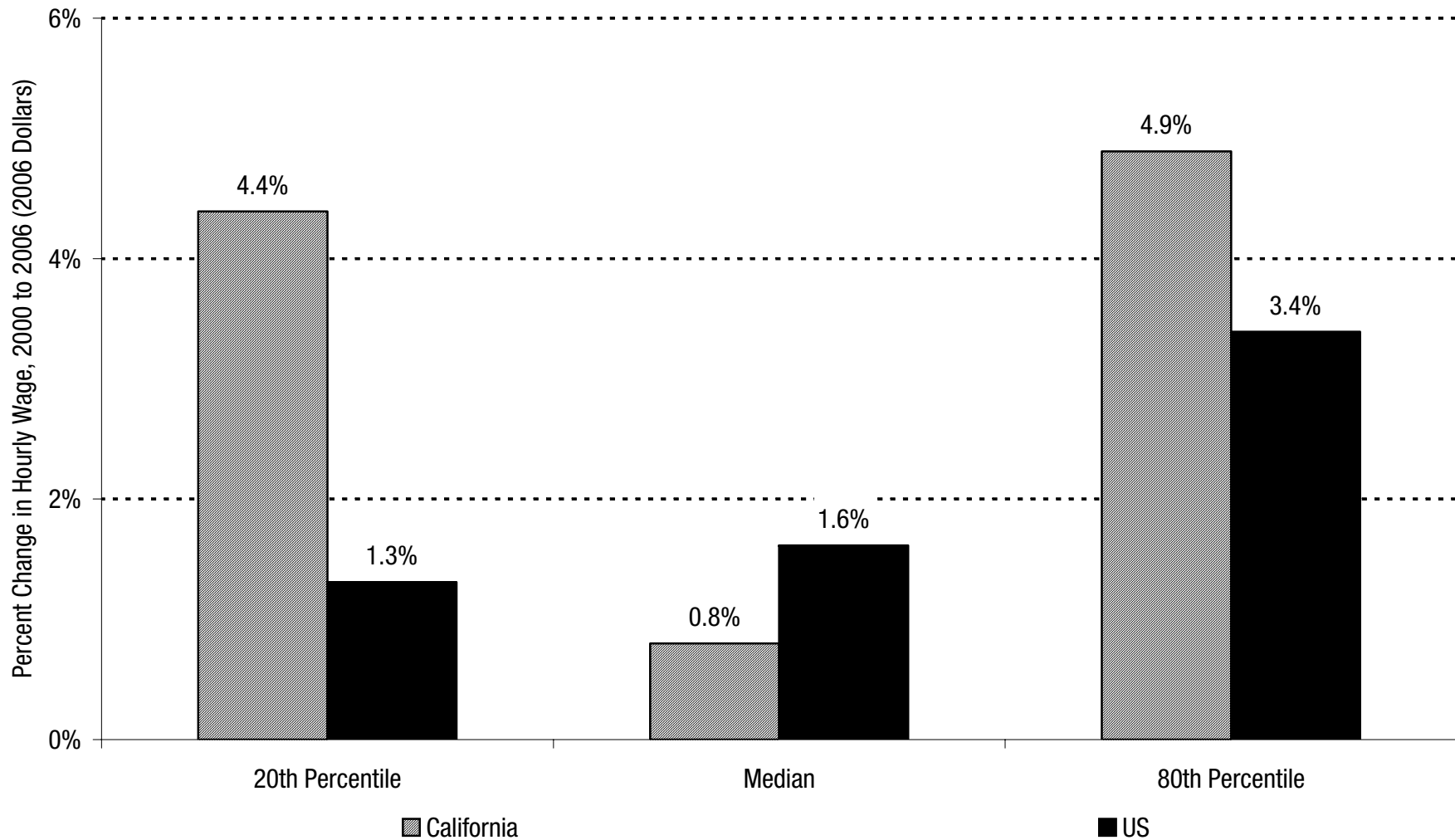


Note: All data are for California. Corporate and adjusted gross income reflect income reported for tax purposes.

Figures are not adjusted for inflation.

Source: CBP analysis of Franchise Tax Board and Current Population Survey data

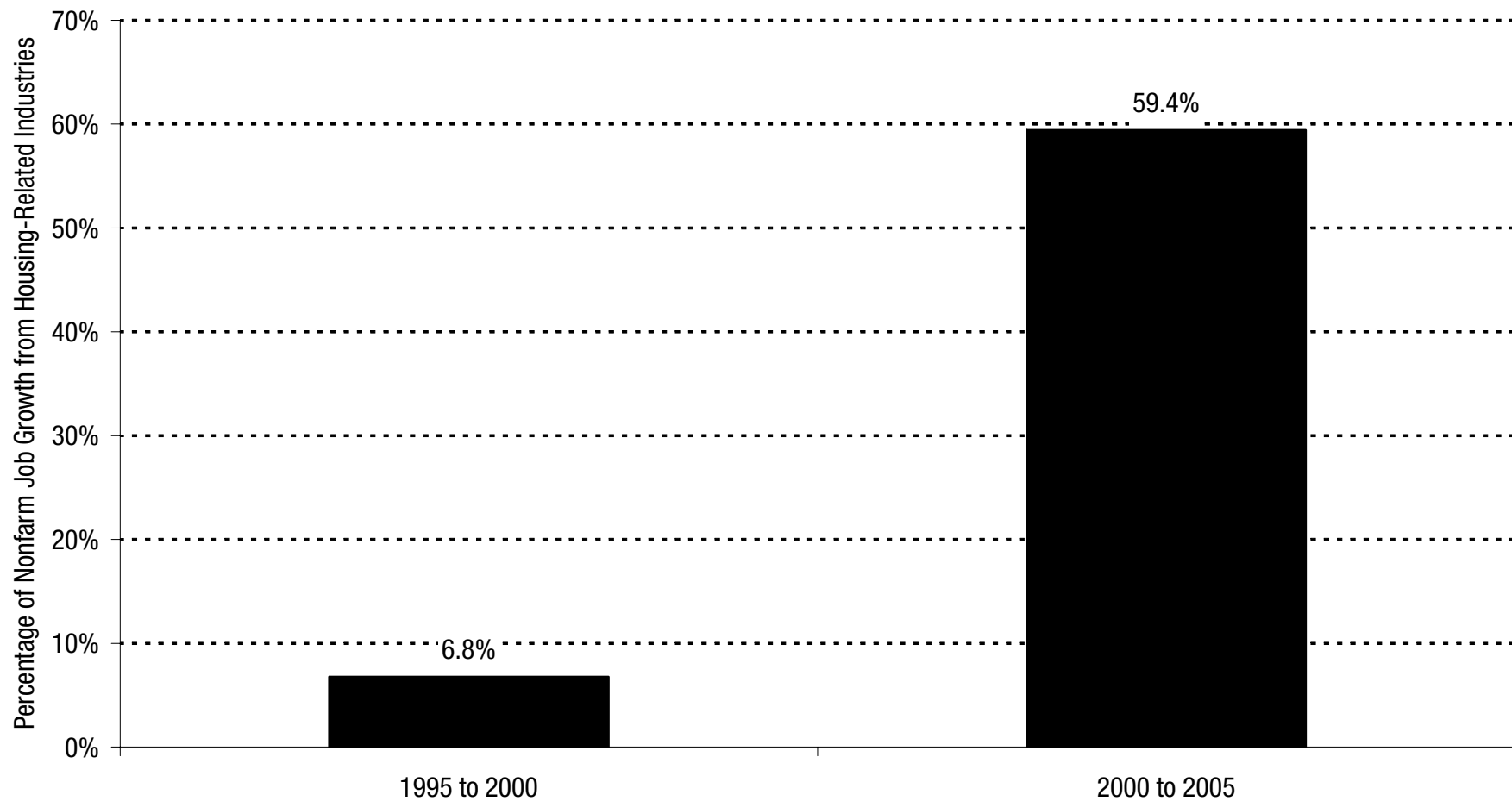
## The Wage Gain of the Typical California Worker Lagged That of the Typical US Worker, 2000 to 2006



Source: CBP analysis of Current Population Survey data

## Housing-Related Industries Drove Job Growth Between 2000 and 2005

Fewer Than 4 Percent of 2000 Jobs Were Housing-Related

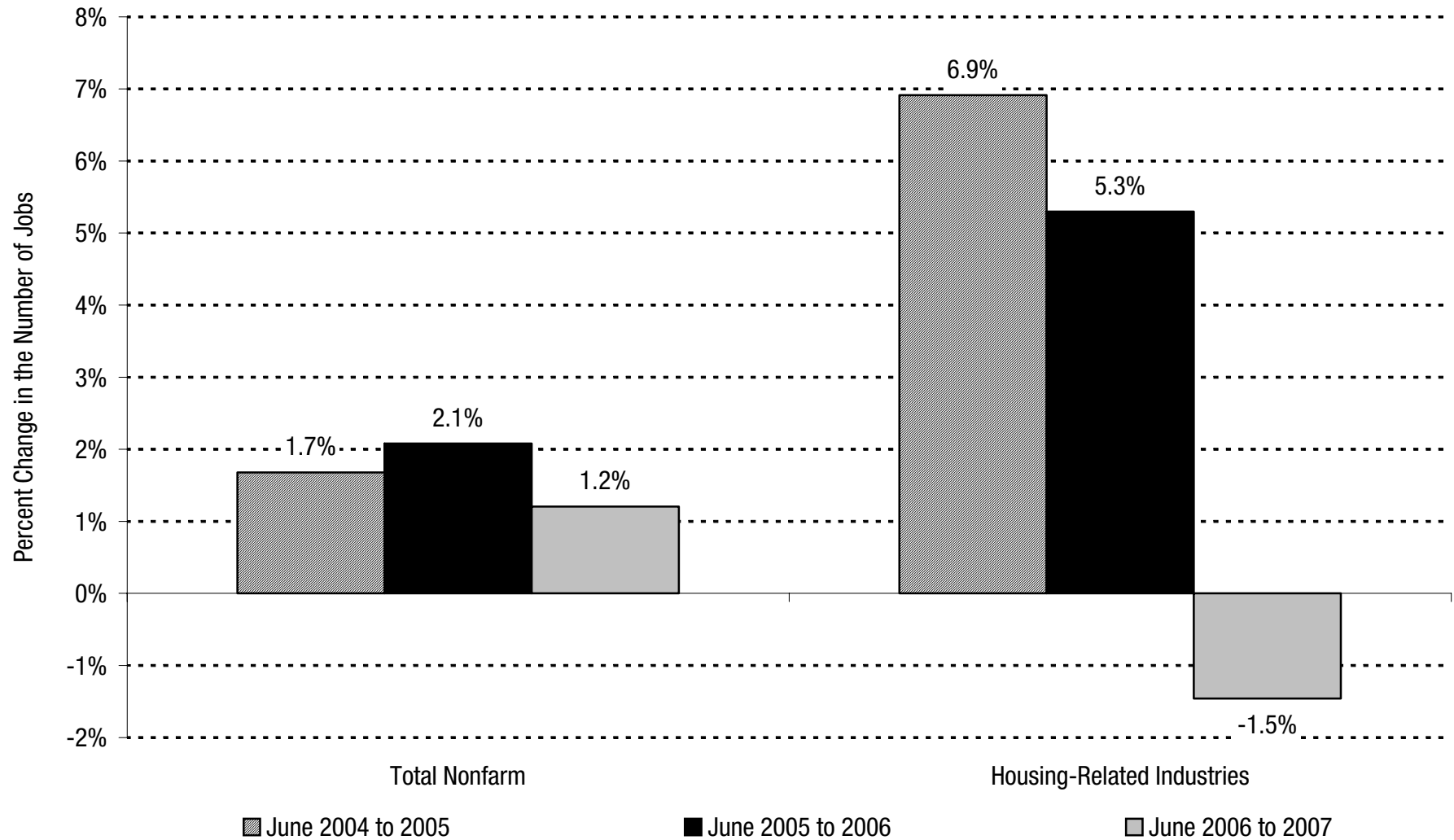


Note: Housing-related industries include residential construction, residential specialty trade contracting, and real estate.

Source: CBP analysis of Employment Development Department data



## The Number of Housing-Related Jobs Declined Between June 2006 and 2007



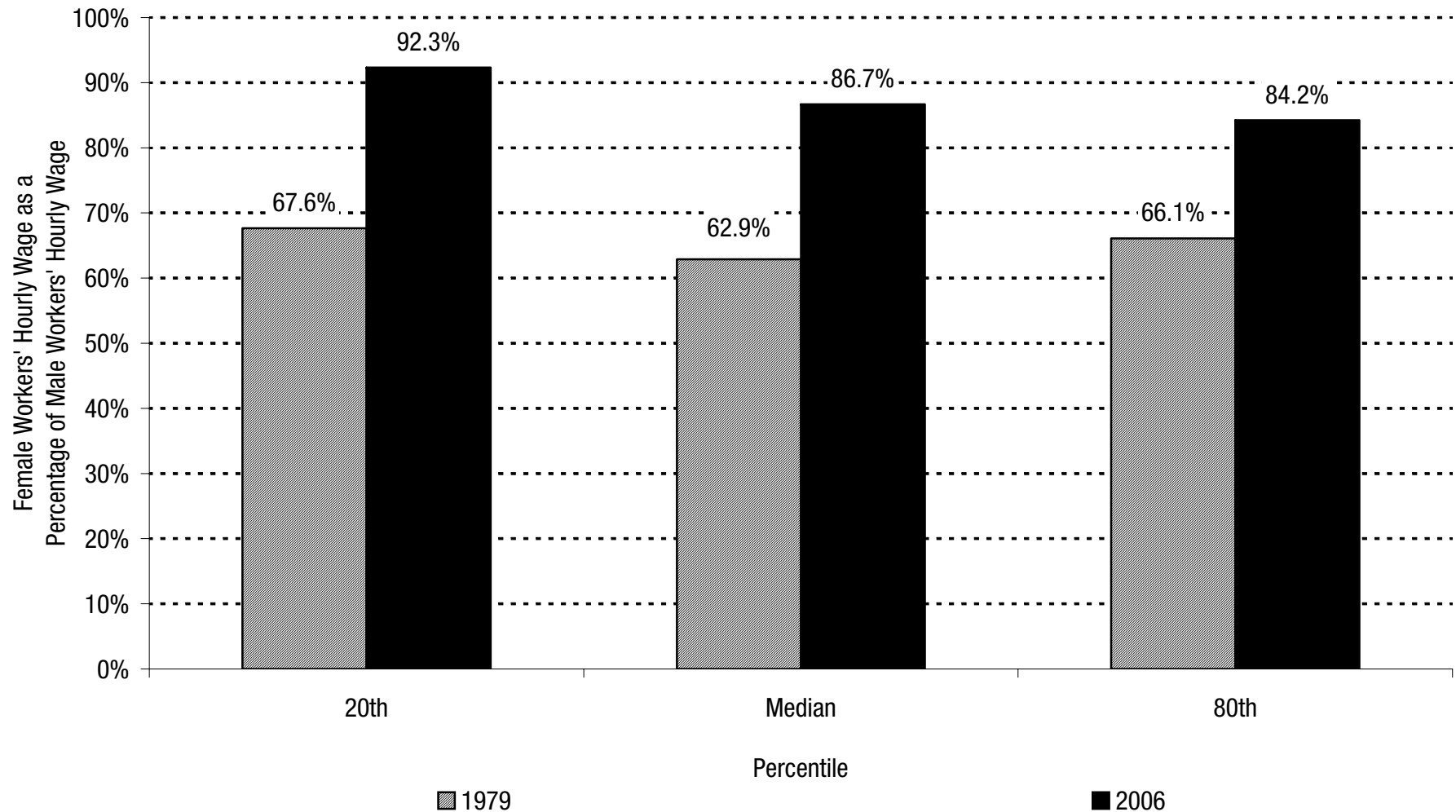
Source: CBP analysis of Employment Development Department data

# Conclusion

- A generation of widening inequality highlights the importance of public policies that address the gap between rich and poor.
- *Hard Work and a Fair Shot* outlines a policy agenda to help low-income working families make ends meet, including policies that:
  - Increase families' incomes;
  - Help families afford basic necessities; and
  - Help families build and protect assets.
- Visit our website at [www.cbp.org](http://www.cbp.org).

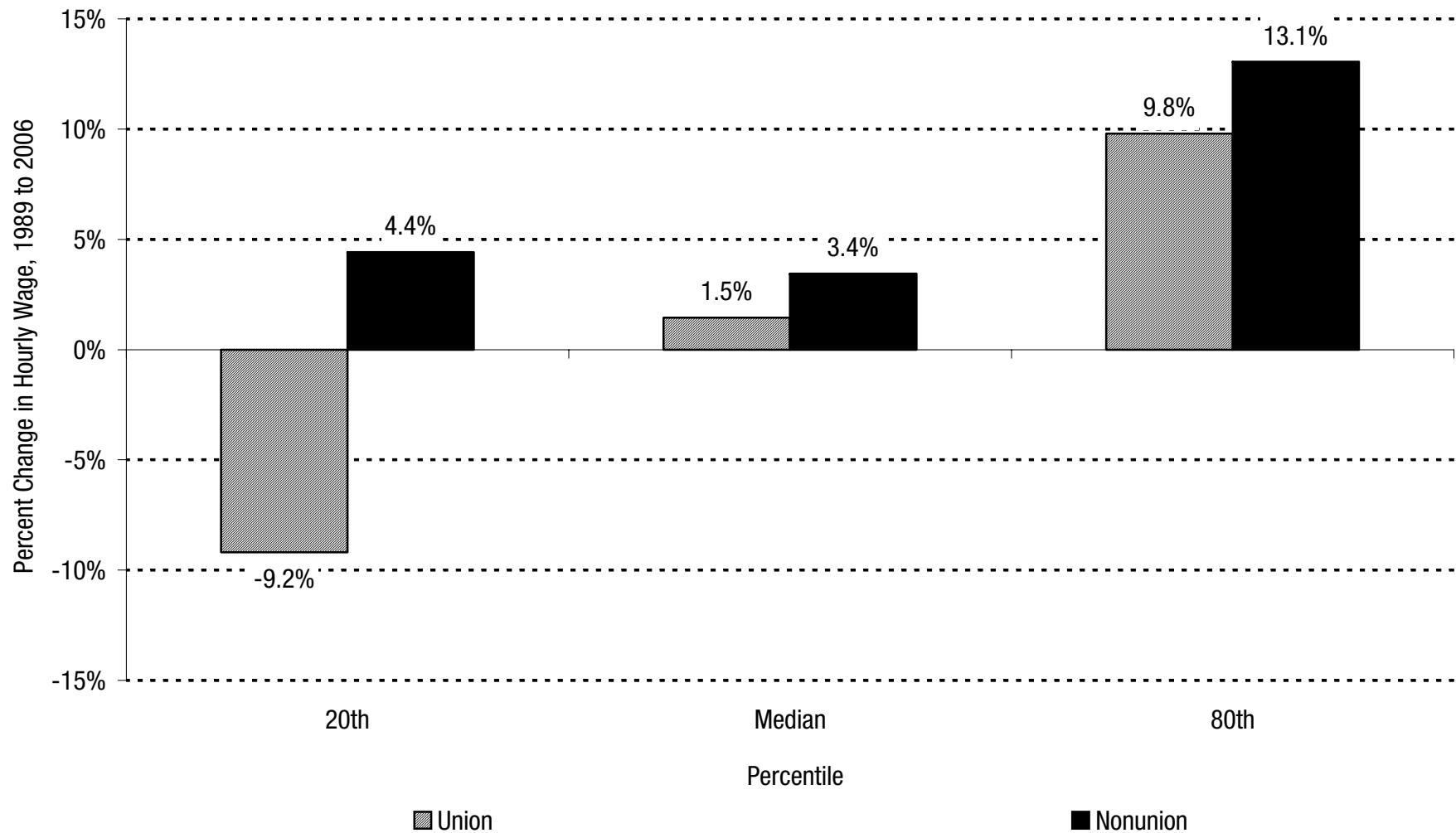
# Additional Slides

## The Gap Between Female and Male Workers' Earnings Narrowed Between 1979 and 2006

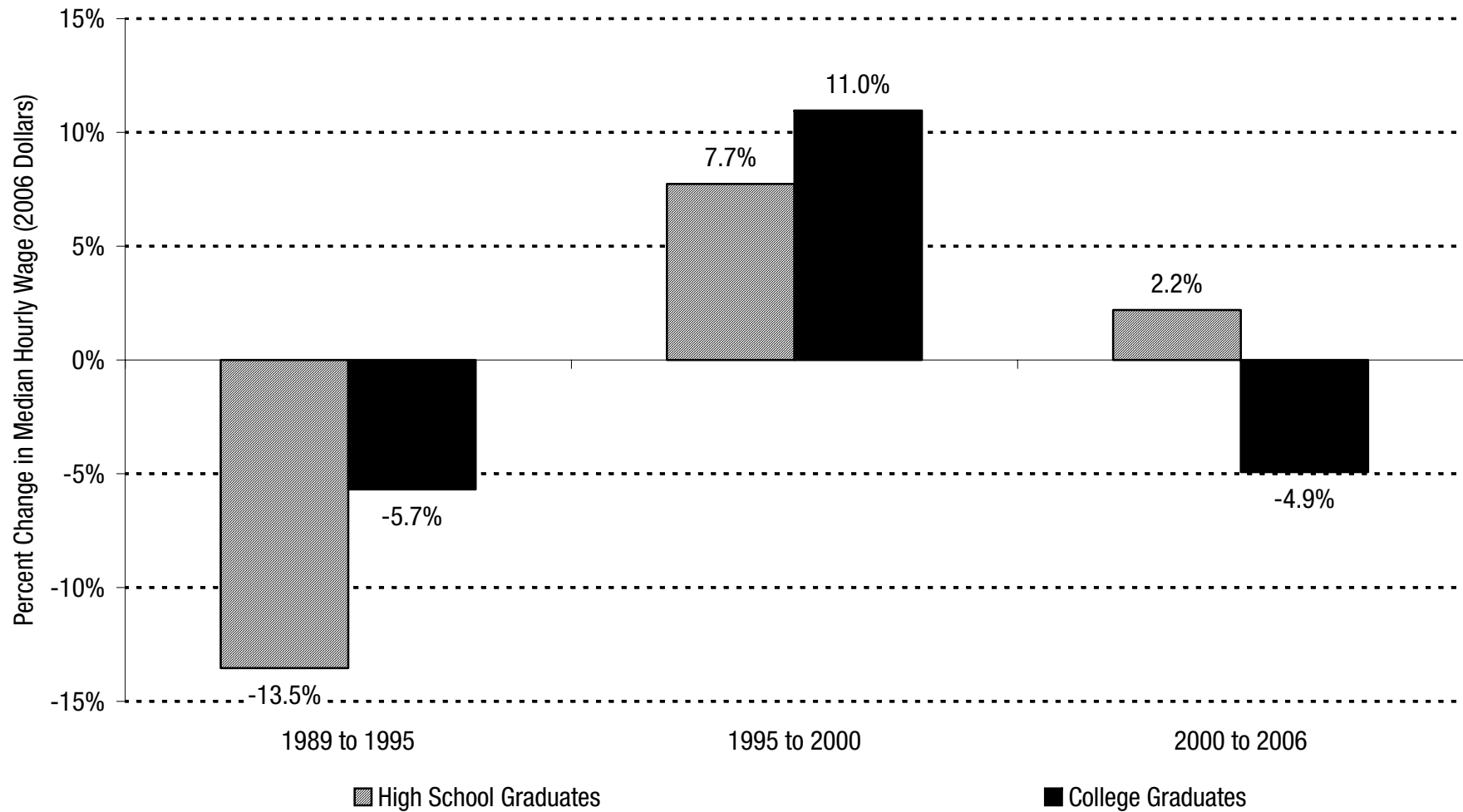


Source: CBP analysis of Current Population Survey data

## Nonunion Workers' Wage Gains Have Outpaced Those of Their Union Counterparts



## Young College Graduates Fared Worse Than Young High School Graduates, 2000 to 2006



Note: High school graduates include workers age 19 through 25. College graduates include workers age 23 through 29.  
Source: CBP analysis of Current Population Survey data